

Message Text

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PAGE 01 STATE 064887
ORIGIN EB-08

INFO OCT-01 NEA-10 IO-13 ISO-00 COME-00 TRSE-00 LAB-04
AGRE-00 STR-07 CEA-01 CIAE-00 DODE-00 FRB-03 H-01
INR-10 INT-05 L-03 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 USIA-06 SP-02 SOE-02 OMB-01
DOE-11 AF-10 ARA-10 EA-10 EUR-12 /157 R

DRAFTED BY EB/OT/GCP - R REIS
APPROVED BY EB/OT/GCP - J SLATTERY
COMMERCE - G REDDING
COMMERCE - B STEINBOCK
TREASURY - E BARBER
LABOR - D WANAMAKER
AGRICULTURE - J HUDSON
NEA/IAI - J MCBRIDE
STR - J ROSENBAUM
EB/FTD - W BREW

-----103970 142049Z /72

R 141634Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY TEL AVIV
INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: MTN, ETRD, IS

SUBJECT: ISRAEL'S CONTRIBUTION IN THE MTN

REF: TEL AVIV 2469

1. AMBASSADOR WOLFF PLANS TO DISCUSS THE MTN WITH
DR. YAACOV COHEN WHEN THE LATTER IS IN WASHINGTON ON
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PAGE 02 STATE 064887

MARCH 14. WHEN THE EMBASSY NEXT DISCUSSES THE MTN WITH
ISRAELI OFFICIALS IT SHOULD BE GUIDED BY THE FOLLOWING:

-- THOUGH, AS THE ISRAELIS OBSERVED (REFTEL), THE US-
MEXICO TROPICAL PRODUCTS AGREEMENT WAS NOT BOUND IN THE
GATT SINCE MEXICO IS NOT A GATT MEMBER, IT CONTAINS
PROVISIONS WITH THE SAME EFFECT AS BINDINGS. IF ONE

PARTY IMPAIRS A CONCESSION, THE OTHER PARTY MAY SEEK COMPENSATION AND IF DENIED COMPENSATION MAY WITHDRAW AN EQUIVALENT CONCESSION.

-- IN ADDITION, THE US HOPES TO CONCLUDE IN THE MTN AN AGREEMENT WITH MEXICO COVERING A BROADER RANGE OF PRODUCTS. IF, AS EXPECTED, MEXICO WILL DECIDE TO JOIN THE GATT FOLLOWING THE MTN, ITS MTN COMMITMENTS WOULD BE FULLY BOUND UNDER THE GATT.

-- THE UNITED STATES FORESEES PROBLEMS WITH UNBOUND CONCESSIONS WHICH CAN BE WITHDRAWN AT THE DISCRETION OF THE IMPORTING COUNTRY. FOR THIS REASON, THE US HOPES THAT IN THE MTN DEVELOPED COUNTRIES WILL TRY TO BIND THEIR ENTIRE TARIFF SCHEDULES AND THAT THE DEVELOPING COUNTRIES, ESPECIALLY THE RELATIVELY MORE ADVANCED LIKE ISRAEL, WILL BIND THEIRS TO THE MAXIMUM EXTENT POSSIBLE. IN ANY CASE, THE UNITED STATES BELIEVES ALL TOKYO ROUND CONCESSIONS MUST BE BOUND.

-- ONLY SIX OF THE AGRICULTURAL TARIFF REQUESTS THE UNITED STATES HAS SUBMITTED TO ISRAEL AND ONLY SIX OF THE APPROXIMATELY 100 SPECIFIC INDUSTRIAL TARIFF REQUESTS WHICH THE UNITED STATES WILL SUBMIT TO ISRAEL IN THE NEAR FUTURE ARE ITEMS ON WHICH THE EC-ISRAEL AGREEMENT REQUIRES THAT A PREFERENCE TO THE EC BE MAINTAINED.
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PAGE 03 STATE 064887

ISRAEL VOLUNTARILY MAINTAINS PREFERENCE TO THE EC ON ABOUT 40 OTHER ITEMS ON THE US INDUSTRIAL REQUEST. THE UNITED STATES WOULD APPRECIATE ISRAEL'S EXPLANATION OF WHY BINDINGS OF DUTY REDUCTIONS ON PRODUCTS WITHOUT A PREFERENCE MARGIN REQUIREMENT WOULD GIVE THE EC THE OPPORTUNITY TO ASK ISRAEL FOR MORE CONCESSIONS.

-- THE US MTN TARIFF OFFER WOULD RESULT IN AN AVERAGE DEPTH OF CUT OF 72.2 PERCENT ON THE 595 INDUSTRIAL ITEMS IMPORTED FROM ISRAEL VALUED AT 322,840,346 DOLLARS IN 1976. THE AVERAGE US DEPTH OF CUT ON THE AGRICULTURAL ITEMS OF INTEREST TO ISRAEL IS 64.4 PERCENT. THE AGRICULTURAL ITEMS ARE VALUED AT 14,800,032 DOLLARS IN 1976 TRADE. WHEN IMPLEMENTED ON A BOUND MFN BASIS, THESE TARIFF CUTS WOULD PROVIDE PERMANENT BENEFITS TO ISRAEL. CONTRIBUTIONS OF EQUAL PERMANENCE ARE EXPECTED FROM ISRAEL. THE UNITED STATES IS WILLING TO CONSIDER GIVING CREDIT FOR THE AUTONOMOUS LIBERALIZING ACTIONS ISRAEL HAS TAKEN (OTHER THAN THOSE TAKEN TO OBTAIN GSP) IF ISRAEL AGREES TO BIND THEM.

2. IF THE EMBASSY BELIEVES IT WOULD BE WORTHWHILE, IT

SHOULD REITERATE TO THE ISRAELI OFFICIALS THAT THE UNITED STATES DOES NOT CONSIDER THE 1975 UNDERSTANDING AS A CONTRIBUTION TO THE MTN. WHILE GSP IS INDEED NON-RECIPROCAL, THE ELIMINATION OF PREFERENCES TO THE EC WAS A LEGAL PREREQUISITE (SECTION 502(B) (3)) FOR THE US GRANTING GSP TO ISRAEL. UNLESS IT HAD TAKEN THE ACTIONS IT DID UNDER THE UNDERSTANDING, ISRAEL UNDER US LAW WOULD HAVE BEEN INELIGIBLE FOR GSP. VANCE

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